



Working paper #5: Community Wealth Building

Eastern Region Health Innovation and Care Economy Project

Victorian Government and Eastern Region Group of Councils, prepared by SGS
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Executive summary

Community Wealth Building (CWB) is an approach to local economic development that seeks to redirect wealth back into the local economy and place control and benefits into the hands of local people. CWB is concerned with how anchor institutions (like hospitals), major projects, driver industries (like health innovation and care) and economic development in the Eastern Region can grow the wealth of the local community, as opposed to the injections of income flowing back out to external parties.

As practised by SGS (in partnership with the UK Centre for Local Economic Strategies), CWB revolves around five principles.

1. Progressive procurement of goods and services
2. Fair employment and just labour markets
3. Socially productive use of land and property
4. Making financial power work for local places
5. Plural ownership of the economy.

There is an opportunity to pursue a CWB agenda in the Eastern Region to improve local wealth retention and the inclusiveness of the presented economic opportunities. By realising the potential of their role as an anchor institution for their place, anchor businesses can be key sources of the purchasing power, assets and employment with which economies can be recovered and reformed. By using these levers, government and its partners can exercise strong, confident intervention in local economies to advance the cause of social and economic justice.

Some Australian state governments and local councils already have aspects of CWB in their economic development efforts, including focusing on community-based enterprise and leveraging local and sustainable economic outcomes through procurement. For example, the City of Sydney is developing a Community Wealth Building policy that adopts the five pillars as its framework.

The Eastern Region would be an ideal location to develop a CWB agenda as part of its efforts to develop a leading HI&C economy. There is plenty of money being injected into the local economy. Exploring how that income benefits local people and whether more wealth can be captured and dispersed across the Region's communities is an opportunity to improve industry development outcomes.

A CWB lens can also help address concerns that talented workers are leaving the Region for work in Parkville and the Melbourne CBD, and understand how the flow of skills, investment and expenditure impacts the Region. For a CWB effort, there are many large businesses and health institutions can act as anchor institutions. These prominent economic stakeholders can come together to overcome challenges, confront vulnerabilities, and leverage assets and resources to grow community wealth from a leading HI&C economy.

1. Introduction

1.1 Introduction to the project

The project is a region-wide research and engagement project to develop a strategy to advance regional priorities and inform advice to government.

This project seeks to understand the regional strengths and opportunities relevant to health and the role of the health economy in regional recovery and growth.

The project aims to position the Region as a leader and to support future growth in health care and innovation for regional economic benefit through:

- Leveraging existing regional strengths (world-class health precincts, R&D capacity)
- Capitalising on current government investment and projected future growth and innovation (e.g. MedTech; active and future medical / health precincts; clinical trials)
- Futureproofing against regional vulnerabilities and health challenges (e.g. fastest ageing metropolitan Region; COVID-19 recovery; key worker housing)
- Addressing current and projected workforce and skills shortages (nursing, aged care, disability care; highly-skilled innovative professionals and entrepreneurs)

The project's first stage will produce a series of five working papers to act as a resource to inform a co-design phase in 2023. The co-design phase will identify how regional stakeholders will respond to the opportunities and challenges presented.

1.2 Introduction to the paper

This paper is to explore industry development outcomes. Though healthcare spending is booming, it's essential to consider where that money is going and whether it creates local wealth, local business opportunities and great jobs for residents.

This is the fifth paper in the series. The preceding four are:

- **Working paper #1: the Region's health innovation and care ecosystem:** This first paper defines the health innovation and care economy and maps its current ecosystem in the Eastern Region across four sub-sectors (hospitals, health services, health product manufacturing and health research). The sector's economic value, in terms of gross regional product, export value, flow-on impact, innovation and employment, has also been estimated, as well as assets, strengths, and weaknesses.
- **Working paper #2: health innovation and care trends assessment:** This paper aims to understand the trends that will impact the development of a health innovation and care economy into the future locally, across Melbourne and nationally, and what the opportunities are for the Eastern Region.

- **Working paper #3: developing a best-practice health care economy:** This paper aims to understand how best-practice health innovation and care industry development is being done elsewhere and the lessons relevant to the Eastern Region.
- **Working paper #4: best-practice innovation:** This paper aims to understand the role of innovation in economic development. The focus is on understanding how innovation happens in places and creates new businesses, products or services and what government can do to support it.

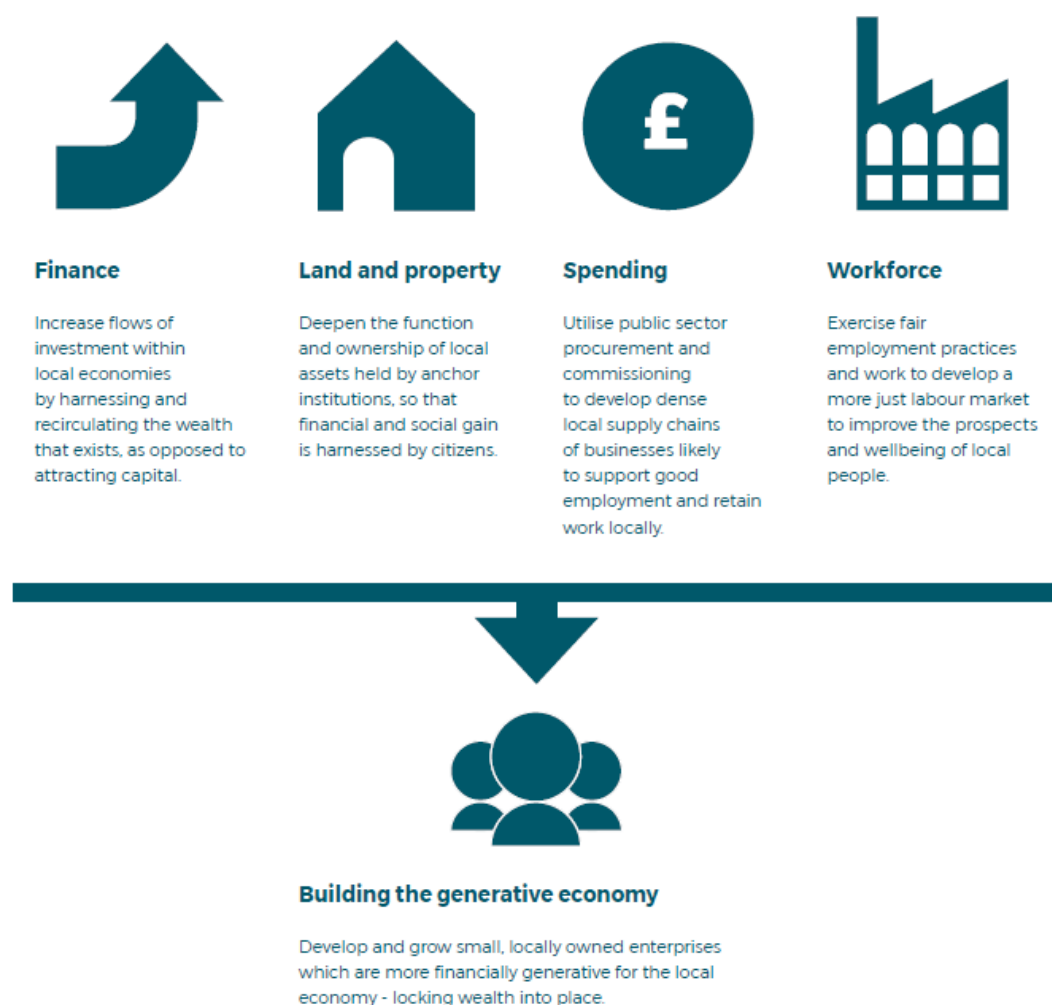
2. Community wealth building

2.1 Introduction to CWB

Community Wealth Building (CWB) is an approach to local economic development that seeks to redirect wealth back into the local economy and place control and benefits into the hands of local people. CWB is concerned with how anchor institutions, major projects, driver industries and economic development in the Eastern Region can grow the wealth of the local community, as opposed to the injections of income flowing back to external parties.

The CWB agenda has developed in the USA, UK and beyond in the last ten years to create a fairer and more sustainable economy. As practised by SGS (in partnership with the UK Centre for Local Economic Strategies), CWB revolves around five principles, as captured in Table 1.

TABLE 1: FIVE PILLARS OF COMMUNITY WEALTH BUILDING



Source: Centre for Local Economic Strategies, 2020, Own the Future – A Guide to New Local Economies

2.2 The role of anchor institutions

Large companies and institutions have an outsized role and responsibility in economic development. The term ‘anchor institution’ refers to organisations that have an important presence in a place, by virtue of being large-scale employers, a large purchaser of goods and services, overseeing large areas of land and having relatively fixed assets.

Anchor institutions are tied to a place by their mission, histories, physical assets and local relationships. Examples include universities, large local businesses, hospitals, housing providers, and councils. Anchor institutions can play an essential role in economic development due to their capacity as large employers and by leveraging their sizeable procurement spending, infrastructure (including land and facilities), networks and assets for local benefit.

Anchors in the HI&C economy include:

TABLE 2: ANCHORS* IN THE EASTERN REGION HI&C ECONOMY

Institution type	Anchors in the Eastern Region
Hospitals	Monash Medical Centre, Jessie McPherson Private Hospital, Victorian Heart Hospital, Monash Children’s Hospital, Sir John Monash Private Hospital, Monash Surgical Private Hospital, Monash House Private Hospital, Box Hill Hospital, Epworth Eastern Hospital, Glen Iris Private Hospital, Delmont Private Hospital, Melbourne Eastern Private Hospital, Mitcham Private Hospital, Maroondah Hospital, Wantirna Health, Knox Private Hospital, The Melbourne Eastern Private Hospital, Angliss Hospital.
Research institutes	CSIRO Clayton, Australian Regenerative Medicine Institute, Australian Synchrotron, Melbourne Centre for Nanofabrication, Monash Biomedical Imaging, Monash Medicines Manufacturing Innovation Centre, Brecton Dickinson Pty Ltd, Bristol Myers Squibb, Systematic Medicine, Herbal Research Laboratories, Ovulation Method Research & Reference Centre of Australia
Manufacturing	Osteon Medical, GAMA Health care, Kaseem Health Pty Ltd, Aesthetic Bureau, Ingeneus, Essity Medical Solution (BSN Medical), DePuy Synthes, Avecho, Grifols Australia Pty Ltd, Ensign Laboratories, Formulytica, Trajan Scientific and Medical, Mcfarland Medical Equipment Holdings Pty Ltd., Cockatoo Blue Medical Products, Medical Concepts Australia Pty Ltd, Taylor Surgical Instruments, Indigo Care, Siqura, Fibertech Medical Australia, Cockatoo Blue Medical Products Pty Ltd, Fairmont Medical Products, Baldwin Medical, Advanced Molecular Technologies
Universities and TAFEs	Monash University Clayton, Box Hill Institute, Deakin University, Swinburne University of Technology
Councils	Knox, Monash, Maroondah, Whitehorse, Manningham and Yarra Ranges

*This list will be updated throughout the project

By realising the potential of their role as an anchor institution for their place across the five pillars of CWB, anchor businesses can be critical sources of the purchasing power, assets and employment with which economies can be developed. Using these levers, the government and its partners can exercise strong, confident intervention in local economies to advance the cause of social and economic justice.

An example of CWB in practice is included on the next page.

CWB case study – Preston Council, by Pat Fensham of SGS Economics and Planning

Unlike Central Government, Councils in Britain are required by law to produce balanced budgets. Grant monies and central government assistance to local government have been massively reduced as a result of the austerity measures, and program and staff cuts have been necessary to stave off bankruptcy.

Preston Council had its budget reduced from £49 million to £22 million over perhaps five years. In keeping with a strong social justice stance, as actioned in policy through Council's Fairness Agenda⁸, and notwithstanding its much reduced financial capacity, Council was the first employer in the north of England (in 2012) to pay the recommended 'living wage' and has committed to three non-essential functions serving the most vulnerable in the community. These are:

1. Support to continue to offer welfare benefits and debt advice services.
2. Development of a Local Council Tax Support Scheme which spreads the impact of reduced funding to avoid impacting any one particular vulnerable section of the community.
3. Investment of £100,000 in the Guild Money Credit Union (now trading as CLEVR Money), offering savings and affordable loans and assisting residents to avoid predatory and high interest 'pay day' lenders.

As part of the Community Wealth Building initiative (pioneered by CLES) Council has worked alongside the six anchor institutions to maximise the socially virtuous and locally spent share of their collective annual procurement budgets. Across the anchor institutions, the proportion of collective procurement spend in the local economy of Preston has increased from 5 percent (£38m) in 2013 to 18.2 percent (£112m) in 2016/17 and in the wider Lancashire economy from 39 percent (£292) to 79.2 percent (£486m) in this period. This during a time when, because of austerity, the overall budgets of the anchor institutions fell, from £750m to £616m. Council estimates that the increased spend in Preston supports some 1,648 jobs, while the increased spend in Lancashire supports some 4,500 jobs.

The latest analysis shows that 20.8 percent of anchor spending leaks out of the Lancashire economy compared with 61 percent in 2013. Of this leakage, it is estimated that approximately 60 percent of it is potentially influence-able, which provides further opportunities for Preston and Lancashire based suppliers.

A key driver of the reforms was a collaborative procurement charter agreed by the anchors and comprising six objectives:

1. To simplify the procurement process and encourage a diversity of organizations to bid for contracts.
2. To reduce spend leaking out of the Preston and Lancashire economies.
3. To understand the local business base in greater detail.
4. To develop the capacity of local businesses and social enterprises to bid for contracts.
5. To raise local awareness of procurement opportunities.
6. To identify services that could potentially be provided by worker co-operatives.

A cultural or 'mindset' shift was required, facilitated by the establishment of a Preston Procurement Practitioners Group. This group was set up to enable peer learning among officers and to share case studies of good practice. This has been critical to success, with collective approaches and flexible ways of working together the key. Other initiatives and innovations of the Council include:

- investment in and restoration of the covered market adjacent to the Town Hall, re-built by a family firm
- assistance for the development of worker co-operatives
- the sale of the bus station, which was enormous and costly to maintain bus station (apparently Europe's largest) for £1 to the County Council, refurbished and partly repurposed, including a large public space
- research and policy work towards the establishment of a cooperative Lancashire Community Bank, to extend retail banking and lending facilities to small businesses and ventures otherwise denied finance by the highly centralized banking system.

3. The five pillars of CWB

3.1 Progressive procurement of goods and services

Progressive procurement is about anchor institutions using their procurement processes and decision-making to deepen local supply chains and socially virtuous business development, spending and investment. It is a deliberate leveraging of expenditure towards socially and environmentally valuable practices and outcomes.

Progressive procurement would develop dense local supply chains of local enterprises, SMEs, employee-owned businesses, social enterprises, cooperatives and other forms of community-owned enterprise. Progressive procurement is locally enriching because these types of businesses usually support local employment, have a greater propensity to retain wealth and surpluses locally, and are more engaged with local communities and environments given their standing and responsibilities as 'local corporate citizens'.

The challenge

As outlined in Paper 1, economic development benefits are reduced as income leaks back out of the Region as local firms import inputs to production. These leakages dilute the multiplier effect from export sales and other injections of income. Reducing income leakage is an important consideration and opportunity to sustain economic development and build community wealth. In the Eastern Region HI&C economy, over a billion dollars flows out of the Region each year through the supply chains of businesses and anchors, including its major anchor hospitals, manufacturers and research institutions.

A business-as-usual approach to procurement sees cost as the dominant determining factor in who gets the contract regarding how money is spent and services commissioned by anchor institutions. Environmental credentials, locality, social value and decent employment conditions tend to be second-order considerations. A business-as-usual approach sees money rapidly flowing out of the local economy to external businesses that don't benefit the local economy.

CWB solutions

By adapting their procurement processes and decision-making, anchor institutions can create dense local supply chains and ecosystems of businesses that are more likely to support local employment and have a greater tendency to recirculate wealth and surplus locally.

The ERG could seek to understand where expenditure is directed. This information can be used to identify whether supply chain gaps can be 'plugged' through specific infrastructure, economic development or planning interventions.

There is also an opportunity to work with anchors and align anchor institutions' procurement strategies to prioritise sourcing goods and services within the Region. The scale of the Region the HI&C economy businesses it accommodates lends itself to localised services being supported through local procurement priorities. This may extend to construction services, manufacturing and serving of goods

and equipment and waste recovery, among other things. The intent is that if more money is directed to these companies, they are able to grow in size and are increasingly able to invest in innovation.

3.2 Fair employment and just labour markets

This pillar is about anchor institutions stimulating and contributing to a fair economy through decent wages and conditions. Often the biggest employers in a place, the approach that anchor institutions take to employment can have a defining effect on local people's employment prospects and incomes. Good job opportunities extend to building capacity and employment opportunities for people with disabilities and marginalised groups requiring supported employment.

The challenge

In Australia, economic insecurity, the casualisation of the workforce and stagnating wages contribute to inequality and drag economic development. When residents have good incomes, employment security and the ability to create and hold wealth, they can spend money and invest in their local economies, leading to growth.

In the health care sector, like many industries, the casualisation of the workforce and declines in real wages over recent years are issues. In addition, a Beyond Blue study in 2019 found that in terms of mental health, healthcare workers exhibit higher rates of anxiety, depression and suicidal ideation when compared to the general population. These factors were then exacerbated further during the pandemic. Another recent study has found that many young doctors are choosing to leave the sector as the work pay no longer covers the stress, complexity and years of training.¹ There are clearly issues in how the sector manages and supports its workforce.

CWB solutions

Recruitment from lower income areas, commitment to paying good wages and building progression routes for workers are all examples of the actions anchor institutions can take to stimulate the local economy and bring social improvements to local communities.

Working with human resource departments within anchor institutions to stimulate the local economy through progressive employment and local labour market activities has proved a powerful tool to improve employment opportunities and workers' rights. Actions for anchors can include, for example:

- Adopting a real living wage floor for all workers
- Develop a Good Employment Charter
- Develop employment conditions that provide secure work
- Target recruitment from hard-to-reach groups and young people from disadvantaged areas of the Region
- Provide training and advancement pathways for employees

¹ ABC News. *Doctor shortage won't end as long as GPs treated like "domestic servants of medical world."* (2022, August 30). <https://www.abc.net.au/news/2022-08-31/gp-shortage-to-worsen-as-junior-doctors-turn-to-specialty-fields/101386674>

- Explore ways to improve employees' work-life balance in the stressful roles common in the HI&C economy.

Providing the best possible workplaces for health professionals in the Eastern Region will have flow on economic benefits through skill retention and attraction by making the Region a desirable place to work for health professionals. There is also a role to play for innovation and thinking about how care can be delivered well while not burning out the local workforce.

In terms of supporting marginalised groups, in the UK, some hospitals that have taken a CWB approach have mapped the employment profile of their Region and identified postcodes where there is underemployment. They then designed specific pre-employment training packages to help these local residents to enter their workplaces. In the Australian context, such programs can help address forecast and current worker shortages.

3.3 Socially productive use of land and property

This pillar is about anchor institutions using land and property to generate wealth and benefits for local citizens rather than for remote, private interests. Anchors are often major landholders and can support the development of under-utilised assets and land for positive community outcomes.

The challenge

How land and property assets are owned and managed impacts on local economic outcomes. Concentrated land ownership, property speculation and landlord absenteeism drive inequality as communities suffer the consequences of unaffordable housing, lack of access to land for businesses and a lack of investment in the local economy. Wealth gained from land and property leaks out of local economies, contributing to a lack of resilience, as well as being incompatible with social and environmental progress.

CWB solutions

CWB is about anchor institutions using land and property to generate wealth and benefits for local citizens rather than for remote, private interests. Local economic development requires a coordinated approach to place management and development, where local land and property are regarded as wealth creators from which communities benefit, not global investors. To do this, government and anchor institutes can focus on:

- Enforcing strong, stretching social value targets so infrastructure development and spending maximises local jobs.
- Enabling more diverse local and community ownership of land and property, utilising planning powers and land and property holdings to restrict rental extraction; and,
- Sustaining the natural environment, protecting open spaces and commons resources

Other solutions include that public land owners (like hospitals) should develop governance and management structures where communities can take direct control of common assets, for example through transferring under-utilised assets to Community Land Trusts, or working through Public-Commons Partnerships.

3.4 Making financial power work for local places

This pillar is about harnessing wealth and savings for the local community, as an alternative to pursuing national or international capital.

The challenge

Many communities and sections of the population have been 'left behind' with diminished local economic self-determination and capacity by the extractive nature of global capitalism and financialisation. The forces of agglomeration and tertiarisation have centralised economic activity and investment in fewer urban centres (like the Melbourne CBD), or within their immediate, accessible orbit.

In economic development, often, the emphasis is on attracting external investment. However, relying exclusively on external economic injections and investment is not sufficient to support community well-being and a sense of economic self-worth. This view of economic development sees local residents as grateful recipients of employment rather than creative economic entities who can develop businesses and new ventures.

CWB solutions

Increasing investment flows within local economies by harnessing and recirculating the existing wealth will support local businesses as they are prioritised to support economic growth from within the existing business community. While building export income sources wherever possible, it makes sense for regions to also 'claw back' wealth by minimising the leakage of expenditure and savings to other regions and to recirculate the available wealth to maximise local well-being and benefits.

For example, the role of Australia's superannuation system is worth investigating, and its ability to invest locally and sustainably. CWB seeks the redirection of investments by superannuation into the local economies from which deposits are derived. This raises trickier questions about the scale of projects for investment, risk and the generation of competitive returns (as well as the possibility of denying socially worthy offshore projects of much needed investment). However, just as tax incentives to encourage the investment of super into affordable housing are suggested, so could incentives for investment in socially worthy, local projects in the HI&C economy.

Similarly, mutually owned banks, and regional banking charged with enabling local economic development, are supported in a CWB lens. The idea is to channel socially virtuous investment to local communities while still delivering benchmark financial returns for investors.

3.5 Plural ownership of the economy

The pillar

This pillar is about encouraging different business ownership models to build wealth that stays in local communities. At the heart of Community Wealth Building is the principle that wealth is broadly held. Cooperatives, mutually owned businesses, SMEs and municipally owned companies enable wealth to

stay local and play a vital role in counteracting the extraction of wealth that otherwise occurs when corporate economics prevails.

Locally owned and socially minded enterprises are more likely to employ, buy and invest locally. For this reason, community wealth building seeks to promote locally owned and socially minded enterprises by promoting various models of enterprise ownership that enable wealth created by users, workers and local communities to be held by them, rather than flowing out as profits to shareholders.

The challenge

Business ownership in Australia is becoming increasingly concentrated, and there has been a decline in progressive business ownership structures like cooperatives.

CWB solutions

A more progressive approach to business support is a key mechanism for developing these enterprises. Recent years have seen increased activity in this area as local authorities and anchor institutions consider how they can support locally-owned and regenerative business ownership structures that redirect profits back into the local community.

There is also an opportunity, and need, for coaching and up-skilling businesses to take advantage of procurement opportunities stemming from the HI&C economy.

4. Summary

There is an opportunity to pursue a CWB agenda in the Eastern Region to improve local wealth retention and the inclusiveness of the presented economic opportunities. By realising the potential of their role as an anchor institution for their place, anchor businesses can be key sources of the purchasing power, assets and employment with which economies can be recovered and reformed. By using these levers, government and its partners can exercise strong, confident intervention in local economies to advance the cause of social and economic justice.

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